

New Zealand (2015-16 income tax year)

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

New Zealand 2015
The tax/benefit position of single persons

	Wage level (per cent of average wage)	67	100	167	67
	Number of children	none	none	none	2
1. Gross wage earnings		37 594	56 110	93 704	37 594
2. Standard tax allowances:					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes					
Work-related expenses					
Other					
	Total	0	0	0	0
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		37 594	56 110	93 704	37 594
5. Central government income tax liability (exclusive of tax credits)		5 599	9 853	21 842	5 599
6. Tax credits :					
Basic credit		520	0	0	0
Married or head of family					
Children					
Other					
	Total	520	0	0	0
7. Central government income tax finally paid (5-6)		5 079	9 853	21 842	5 599
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		0	0	0	0
Taxable income					
	Total	0	0	0	0
10. Total payments to general government (7 + 8 + 9)		5 079	9 853	21 842	5 599
11. Cash transfers from general government					
For head of family					
For two children		0	0	0	11 029
	Total	0	0	0	11 029
12. Take-home pay (1-10+11)		32 515	46 257	71 861	43 024
13. Employer's compulsory social security contributions		0	0	0	0
14. Average rates					
Income tax		13.5%	17.6%	23.3%	14.9%
Employees' social security contributions		0.0%	0.0%	0.0%	0.0%
Total payments less cash transfers		13.5%	17.6%	23.3%	-14.4%
Total tax wedge including employer's social security contributions		13.5%	17.6%	23.3%	-14.4%
15. Marginal rates					
Total payments less cash transfers: Principal earner		17.5%	30.0%	33.0%	38.7%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		17.5%	30.0%	33.0%	38.7%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

New Zealand 2015
The tax/benefit position of married couples

	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
1. Gross wage earnings		56 110	74 626	93 704	74 626
2. Standard tax allowances:					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes					
Work-related expenses					
Other					
	Total	0	0	0	0
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		56 110	74 626	93 704	74 626
5. Central government income tax liability (exclusive of tax credits)		9 853	12 113	15 452	12 113
6. Tax credits :					
Basic credit		0	0	0	0
Married or head of family					
Children					
Other					
	Total	0	0	0	0
7. Central government income tax finally paid (5-6)		9 853	12 113	15 452	12 113
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings					
Taxable income					
	Total	0	0	0	0
10. Total payments to general government (7 + 8 + 9)		9 853	12 113	15 452	12 113
11. Cash transfers from general government					
For head of family					
For two children		7 094	3 159	0	0
	Total	7 094	3 159	0	0
12. Take-home pay (1-10+11)		53 351	65 672	78 252	62 513
13. Employer's compulsory social security contributions		0	0	0	0
14. Average rates					
Income tax		17.6%	16.2%	16.5%	16.2%
Employees' social security contributions		0.0%	0.0%	0.0%	0.0%
Total payments less cash transfers		4.9%	12.0%	16.5%	16.2%
Total tax wedge including employer's social security contributions		4.9%	12.0%	16.5%	16.2%
15. Marginal rates					
Total payments less cash transfers: Principal earner		51.2%	51.2%	30.0%	30.0%
Total payments less cash transfers: Spouse		33.5%	38.7%	17.5%	17.5%
Total tax wedge: Principal earner		51.2%	51.2%	30.0%	30.0%
Total tax wedge: Spouse		33.5%	38.7%	17.5%	17.5%

The national currency is the New Zealand dollar (NZD). In 2015, NZD 1.43 was equal to USD 1. In that year the average worker earned NZD 56 110 (Country estimate).

1. Personal income tax system

1.1. Central/federal government income taxes

1.1.1. Tax unit

Members of the family are taxed separately.

1.1.2. Tax allowances and tax credits

None.

1.1.2.1. Standard reliefs

1.1.2.2. Main non-standard tax reliefs applicable to an AW

None.

1.1.3. Schedule

- Rates of income tax for individuals:
 - ❖ On so much of the income as does not exceed NZD 14 000: 10.5%;
 - ❖ On so much of the income as exceeds NZD 14 000 but does not exceed NZD 48 000: 17.5%;
 - ❖ On so much of the income as exceeds NZD 48 000 but does not exceed NZD 70 000: 30%;
 - ❖ On so much of the income as exceeds NZD 70 000: 33%.

1.2. State and local income taxes

New Zealand has no state or local income tax.

2. Compulsory social security contributions to schemes operated within the government sector

New Zealand has no compulsory social security contributions to schemes operated within the Government sector.

It should be noted that there is an accident compensation scheme administered by the Accident Compensation Corporation for residents and temporary visitors to New Zealand. This scheme is funded in part by premiums paid by employees and employers. For employees, the premium represents 1.45% of their gross earnings. For employers and the self-employed, the premiums are based on a percentage of the total payroll and the applicable rate varies depending upon the associated accident risk (the average rate is 1.04%). This scheme is not considered as a compulsory social security contribution for the purposes of the Report.

3. Universal cash transfers

3.1. Amount for marriage

None.

3.2. Amount for children

The Parental Tax Credit provides NZD 220 per week for the first ten weeks of each child's life. This tax credit abates under the same regime as the Family Tax Credit, although it is unaffected until both the Family Tax Credit and In Work Tax Credit have been abated to zero.

3.3. Family tax credit

For an eldest child aged 16-18, the rate of the Family Tax Credit is NZD 5 303 per year, while the rate of NZD 4 822 applies if the eldest child is younger than 16. For subsequent children the rate depends on the age of the child; NZD 4 745 per year for 16-18 year-olds, NZD 3 822 per year for 13-15 year-olds and NZD 3 351 per year for children under 13 years of age. The total credit is abated by 21.25 cents on each dollar earned over NZD 36 350. The abatement is based on the combined income of the parents.

3.4. In work tax credit

The In Work Tax Credit is available to families with dependent children who are not receiving an income-tested benefit, veteran's pension, New Zealand Superannuation or student allowance. The level of assistance it provides is NZD 3 120 per family per year, plus an additional NZD 780 per year for fourth and subsequent children. It is only available to couple families working a total of 30 hours or more per week, or to sole parents working 20 hours or more per week. It is also affected by the abatement regime used with the Family Tax Credit, although it is unaffected until the latter has been abated to zero.

3.5. Minimum family tax credit

The Minimum Family Tax Credit is a scheme that ensures a guaranteed minimum family net income for all full-time earners with dependent children. The guaranteed minimum after-tax income is NZD 23 036 per year plus the Family Tax Credit and In Work Tax Credit.

3.6. Independent earner tax credit

The Independent Earner Tax Credit of NZD 520 is available to individuals with annual net income between NZD 24 000 and NZD 48 000 that do not receive other forms of tax credits or benefits. It is abated by 13 cents on each dollar earned over NZD 44 000.

4. Main changes in tax/benefit systems over 2014/15

The rate and entitlement duration of the Parental Tax Credit changed to those detailed above on 1 April 2014. These changes applied from 1 April 2015.

5. Memorandum items

5.1. Method used to identify AW and to calculate the AW's gross earnings

The Annual Earnings figure is derived from the *Quarterly Employment Survey* for those employees in the B-N industry groups. The annual earnings figure for the average worker

is the sum of the four quarterly earnings figures, with each quarterly figure calculated by taking the average total weekly earnings and multiplying it by 13 weeks per quarter.

5.2. Employer's contributions to private pension, health schemes, etc.

No information available.

2015 parameter values

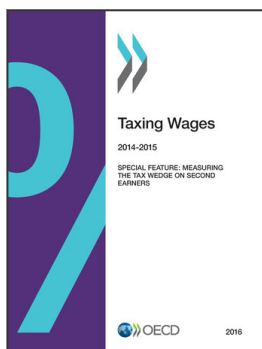
			Country estimate
	Ave_earn	56 110	
Income tax schedule	Tax_sch	0.105	14 000
		0.175	48 000
		0.3	70 000
		0.33	
Family tax credit	Fam_sup_eld	4 822	
	Fam_sup_oth	3 351	
	Fam_sup_thrsh	36 350	
	Fam_sup_rate	0.2125	
In-work tax credit	In_work_children123	3 120	
	In_work_children4plus	780	
Minimum Family Tax Credit	Min_inc	23 036	
Independent Earner Tax Credit	IETC	520	
	IETC_thrsh1	24 000	
	IETC_thrsh2	44 000	
	IETC_rate	0.13	

2015 tax equations

The equations for the New Zealand system in 2015 are mostly repeated for each individual of a married couple. But the cash transfer is calculated only once. This is shown by the Range indicator in the table below. The functions which are used in the equations (Taper, MIN, Tax etc) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables “married” and “children”. A reference to a variable with the affix “_total” indicates the sum of the relevant variable values for the principal and spouse. And the affixes “_princ” and “_spouse” indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with “_spouse” values taken as 0.

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
2. Allowances	tax_al	B 0	
3. Credits in taxable income	taxbl_cr	B 0	
4. CG taxable income	tax_inc	B	earn
5. CG tax before credits	CG_tax_excl	B	Tax(tax_inc, Tax_sch)
6. Tax credits :			
Guaranteed minimum income	GMI	J	(Children>0)*Min_inc
Independent Earner Tax Credit	IETC_rebate	B	=AND(Children=0,earn>IETC_thrsh1)*Taper(IETC,earn,IETC_thrsh2,IETC_rate)
6. Tax credits:	tax_cr	B	IETC_rebate
7. CG tax	CG_tax	B	CG_tax_excl-tax_cr
8. Local tax	local_tax	B	0
9. Employees' soc security	SSC	B	0
11. Cash transfers:			
Family tax credit (unabated)	fam_tax_cr	J	Fam_sup_eld*(Children>0)+ Fam_sup_oth*Positive(Children-1)
In-work tax credit (unabated)	in_work_tax_cr	J	(Children>0)*(In_work_children123+Positive(Children-3)*In_work_children4plus)
Tax credits abated	tax_cr_ab	J	Taper(fam_tax_cr+in_work_tax_cr, earn_total, Fam_sup_thrsh1, Fam_sup_rate1)
Minimum Family tax credit	min_fam_tax_cr	J	Positive(GMI-(earn_total-CG_tax_excl_total))
Cash transfers	cash_trans	J	tax_cr_ab + min_fam_tax_cr
13. Employer's soc security	SSC_empr	B	0

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis.



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